

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 PM-04 NSC-05 SP-02 SS-15 CIAE-00 INR-07

NSAE-00 L-03 EB-08 TRSE-00 OMB-01 DODE-00 PRS-01

STR-04 /063 W

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FM AMEMBASSY ROME

TO SECSTATE WASHDC 3380

INFO AMEMBASSY BONN

AMEMBASSY MOSCOW

USMISSION OECD PARIS

USMISSION EC BRUSSELS

LIMITED OFFICIAL USE ROME 4307

E.O. 11652: N/A

TAGS: EIND, EFIN, EUR, IT

SUBJECT: SOVIET-ITALIAN TRADE RELATIONS

REF: ROME 3434

1. DURING A SURPRISINGLY FRUITFUL MARCH 15 MEETING WITH MEMBERS OF THE SOVIET TRADE MISSION EMBOFF DISCUSSED THE ITALIAN CREDITS ISSUE AND PLANS FOR FUTURE NEGOTIATIONS. THE SOVIETS CONFIRMED A PREVIOUS REMARK BY A REPRESENTATIVE OF THE ITALIAN FOREIGN MINISTRY IN EFFECT THAT BOTH SIDES HAD AGREED TO THE FIGURE OF \$650 MILLION (SEE REFTEL). THEY DISCOUNTED, HOWEVER, THE BELIEF VOICED BY MFA OFFICIALS THAT SOME ONE BILLION DOLLARS WORTH OF ITALIAN CONTRACTS WITH THE SOVIETS ARE IN LIMBO, AWAITING APPROVAL OF AN AGREEMENT.

2. ALTHOUGH THERE WAS EARLIER SPECULATION THAT ONLY THE ISSUE OF NEGOTIABLE PROMISSORY NOTES WOULD PRESENT A PROBLEM, IT APPEARS THAT THE QUESTION OF THE AMOUNT OF LIMITED OFFICIAL USE

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INTEREST TO BE CHARGED FOR FUTURE CREDIT MAY PROVE TO BE JUST AS DIFFICULT TO RESOLVE. THE SOVIETS REMARKED THAT THEY HAD BEEN OFFERED A PACKAGE WITH A TOTAL 8 PERCENT RATE. THEY, HOWEVER, ARE HOPEFUL, THAT THE ITALIANS WILL AGREE TO A 7.55 PERCENT FIGURE (7.30 PERCENT INTEREST PLUS .20 PERCENT INSURANCE COST), AN AMOUNT SIMILAR TO PREVIOUSLY CHARGED RATES. AS TO THE NEGOTIABLE NOTES, THEY NOTED THAT THIS SPECIFIC

ITEM IS NOT EVEN NEGOTIABLE.

3. THE SOVIETS HERE ARE WELL AWARE THAT THEY ARE BARGAINING FROM A POSITION OF STRENGTH. ONE OFFICER FROM THE TRADE MISSION REMARKED THAT THE ITALIANS CAN ILL-AFFORD TO ATTEMPT TO NEGOTIATE ON ANYTHING. WITHOUT ELABORATING, HE NOTED THAT THE SOVIET UNION STILL HAS A GREAT DEAL OF UNUSED CREDIT WITH THE WEST GERMANS AND THE FRENCH AND IS NOT REALLY THAT DESPERATE FOR THE ITALIAN MONEY. NONETHELESS, THEY STILL HOPE TO COME TO AN AGREEMENT SOON. ALTHOUGH NO SPECIFIC DATE COULD BE GIVEN NOR WERE THEY AWARE AT THE TIME WHETHER OR NOT VICE MINISTER OF FOREIGN TRADE KOMAROV WOULD HEAD THE MISSION, THEY DID ADMIT THAT THEY WERE EXPECTING A DELEGATION FROM MOSCOW IN THE NEAR FUTURE TO DISCUSS THE ISSUE.BEAUDRY

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